



U.S. Department
of Transportation
**Federal Highway
Administration**

Michigan Division

315 W. Allegan, Room 201
Lansing, Michigan 48933

March 25, 2008

Mr. Leon Hank
Chief Administrative Officer (B450)
Michigan Department of Transportation
Lansing, Michigan

Dear Mr. Hank:

Our letter of February 14, 2008, conditionally approved the FY 2008-2011 Statewide Transportation Improvement Program (STIP), with a target date of April 15, 2008, to address the conditions. Meetings were held on February 29th and March 7th to review the STIP revenue and Advance Construction (AC) processes. The Department's letter of March 13, 2008, provided a record of the March 7th meeting. In recognition of the steps taken thus far, **we are removing the April 15, 2008 target date from our conditional approval.**

The March 7th meeting outlined the current process and concluded with a consensus that opportunities exist to enhance the revenue process such as: conducting a peer exchange and by reactivating the joint MDOT/MPO revenue committee. While these potential actions did not define a revised process, we believed they illustrated a willingness to explore such opportunities in time for the next STIP cycle, which begins in November 2008.

At both the February 29th and March 7th meetings, FHWA agreed that certain AC types are revenue neutral (with respect to their listing in the STIP), but we did not reach agreement or clearly define each AC type that would fit a revenue neutral category and implications for the STIP. We need to complete that work before the beginning of the next STIP cycle. We need to determine a way to illustrate such categories are revenue neutral.

At our monthly meeting on March 17, 2008, we discussed the STIP status with the theme of how can we reach an understanding on the revenue and AC processes so we will not find ourselves in the same place we are now in the next STIP cycle. For the two remaining topics, we suggest the following actions:

1. Next cycle STIP revenue process - We believe the proposed peer exchange will provide an excellent platform for enhancing the STIP revenue process and we will work with the Department to secure FHWA Planning Capacity Building Funds to cover the cost. Following the peer exchange and before the beginning of the next STIP cycle, we need to meet with your staff to review the scope, content, and outline of the revenue estimating process.


MOVING THE
AMERICAN
ECONOMY



2. AC types and the STIP - Our staff needs to meet to isolate, define and agree on AC types that are revenue neutral (with respect to their listing in the STIP). We need to identify a means to illustrate that each revenue neutral AC type is neutral. AC types that are not revenue neutral must also be agreed upon and defined, including agreement on their listing in the STIP. This work must be completed such that any new definitions or changes will be ready for use effective with the next STIP cycle.

In summary, this letter removes the April 15, 2008, target date from our conditional approval, addresses the progress being made, and outlines the next steps (see the two action items listed above) for meeting the STIP requirements. All other comments and conditions in our February 14, 2008, STIP letter remain in effect. If there are any questions concerning our actions on the TIPs or STIP, please contact Jim Cramer, FHWA, at (517) 702-1827 or Stewart McKenzie, FTA at (312) 353-2866.

Sincerely,


James J. Stegle
Division Administrator